CATALYST FOR PAYMENT REFORM

The Power of Price Transparency: A Building Block to Payment Reform, Reduced Price Variation and Better Value

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Who We Are

Catalyst for Payment Reform (CPR) is an independent, non-profit corporation working on behalf of large employers and public health care purchasers to catalyze improvements in how we pay for health services and to promote higher-value care in the U.S.

- 3M
- Aircraft Gear Corp.
- Aon Hewitt
- Arizona Health Care Cost Containment System (Medicaid)
- AT&T
- Bloomin' Brands
- The Boeing Company
- CalPERS
- Capital One
- Carslon, Inc.
- Comcast
- Dow Chemical Company
- eBay, Inc.
- Equity Healthcare
- GE
- Group Insurance Commission, Commonwealth of MA
- The Home Depot
- Ingersoll Rand
- IBM
- Marriott International, Inc.
- Ohio Dept. of Jobs and Family Services (Medicaid)
- Ohio PERS
- Pennsylvania Employees Benefit Trust Fund
- Pitney Bowes
- Safeway, Inc.
- South Health & Human Services (Medicaid)
- TennCare (Medicaid)
- Verizon Communications, Inc.
- Wal-Mart Stores, Inc.
- Wells Fargo & Company

What We Do

Market-Based Action

- Aligned employer agenda – short-term wins, longer-term bold approaches
- Clear signals to plans – RFIs, contracts, user group discussions and metrics, transparency tool specs
- Toolkit for local action – health plan user group toolkit, Market Assessment Tool, regional scorecards, Action Briefs, etc.

Shine Light on Urgency to Spur Reform

- Accountability: National Scorecard and Compendium on Payment Reform
- Raise visibility of payment variation
- Price Transparency Statement
- Highlight provider market power issues & potential solutions

Policy

- Public sector payment reform
- Provider market power policy
- **Report Card on State Price Transparency Laws**
- Direct dialogue with HHS for alignment and influence

Today's Agenda

Price Transparency

- ❑ Why CPR and why now?
- ❑ Why is transparency needed?
- ❑ What's being done in the field?
- ❑ What are the challenges?

CPR's efforts to advance transparency

- ❑ RFI, Model Contract, User Groups, Specifications
- ❑ Public Statement

The State Law Report Card

- ❑ Ohio's Results and Next Steps

Why Price Transparency Now?

1. Purchasers facing rising healthcare expenditures are asking consumers to take on more financial responsibility, motivating them to seek more efficient, higher-quality care

2. Purchasers believe that pressure from consumers is a powerful, underused lever for improving quality and efficiency

3. For this strategy to succeed, unwarranted price variation needs to be exposed and consumers need price transparency to help identify high-value providers

CPR purchasers cannot imagine a future health care system without transparency

Evidence of Wide Variation in Private-Sector Payment

- 2010 study compared price across and within 8 markets
- San Francisco: average inpatient hospital payment rates = 210% of Medicare
- Los Angeles average inpatient stay:
  - 25 percentile = 84% of Medicare
  - 75 percentile = 184% of Medicare
  - Highest paid = 418% of Medicare

Market power drives costs and thus price does not reflect value

HEALTH SYSTEM CHANGE

Research Brief

Findings From HSC NO. 16, NOVEMBER 2010

Wide Variation in Hospital and Physician Payment Rates Evidence of Provider Market Power

BY PAUL B. GINSBURG

Wide variation in private insurer payment rates to hospitals and physicians across and within local markets suggests that some providers, particularly hospitals, have significant market power to negotiate higher-than-competitive prices, according to a new study by the Center for Studying Health System Change (HSC). Looking across eight health care markets—Cleveland; Indianapolis; Los Angeles; Miami; Milwaukee; Richmond, Va.; San Francisco; and rural Wisconsin—average inpatient hospital payment rates of four large national insurers ranged from 147 percent of Medicare in Miami to 210 percent in San Francisco. In extreme cases, some hospitals command almost five times what Medicare pays for inpatient services and more than seven times what Medicare pays for outpatient care. Variation within markets was just as dramatic. For example, the hospital with prices at the 25th percentile of Los Angeles hospitals received 84 percent of Medicare rates for inpatient care, while the hospital with prices at the 75th percentile received 184 percent of Medicare rates. The highest-priced Los Angeles hospital with substantial inpatient claims volume received 418 percent of Medicare. While not as pronounced, significant variation in physician payment rates also exists across and within markets and by specialty. Few would characterize the variation in hospital and physician payment rates found in this study to be consistent with a highly competitive market. Purchasers and public policy makers can address provider market power, or the ability to negotiate higher-than-competitive prices, through two distinct approaches. One is to pursue market approaches to strengthen competitive forces, while the other is to constrain payment rates through regulation.

Many Providers Have Upper Hand in Payment Negotiations

As health care affordability issues intensify, the issue of provider market power over private insurers, or their ability to negotiate higher-than-competitive payment rates, is moving squarely onto the policy radar screen.[1] Under national health reform, coverage expansions and Medicare and Medicaid payment reductions to hospitals may lead to even higher private insurer payment rates.

During HSC's recently completed 2010 site visits to 12 nationally representative metropolitan communities, insurers consistently cited higher payment rates to obtain hospital and physician group participation in health plan networks as a major factor driving higher insurance premiums.[2] Hospitals often acknowledged that private insurance rates were rising more rapidly than their costs but attributed the spread to increasingly constrained Medicare and Medicaid payment rates.

The Medicare Payment Advisory Commission (MedPAC) has found that hospitals with substantial negotiating leverage can allow unit costs to rise because they can obtain higher private insurance rates to offset negative Medicare margins that result from their high costs.[3] Previous HSC research examining six California metropolitan areas documented considerable increases in provider leverage over time, resulting in

Funding Acknowledgement

This research was commissioned by Catalyst for Payment Reform (CPR). On behalf of large employers, the independent, nonprofit CPR works to drive improvements in how we pay for health care to signal strong expectations for better and more cost-effective care. Working closely with payers, consumers, and providers, CPR aims to identify and coordinate workable reforms, track the nation's progress, and promote alignment between the public and private sectors. For more information, visit www.catalyzepaymentreform.org.

CATALYST FOR PAYMENT REFORM

PROVIDING INSIGHTS THAT CONTRIBUTE TO BETTER HEALTH POLICY

What is Price Transparency?

Price transparency is "the availability of provider-specific information on the price for a specific health care service or set of services to consumers and other interested parties"

Price is "an estimate of a consumer's complete health care cost on a health care service or set of services that (1) reflects an negotiated discounts; (2) is inclusive of all costs to the consumer associated with a service or services, including hospital, physician and lab fees; and, (3) identifies the consumer's out-of-pocket costs (such as co-pays, co-insurance and deductibles)."

Potential Benefits to Transparency (Quality *AND* Price)

- Gives consumers the right message – otherwise might equate higher cost with better quality[5]
- Increases the likelihood that consumers will choose the highest value options[6]
- Helps providers evaluate appropriate care[7]
- Allows employers and health plans to design cost-based benefit plans[7]

5. Sommers, et al. Focus Groups Highlight That Many Patients Object To Clinicians' Focusing On Costs. *Health Affairs*. February 2013
6. Hibbard, et al. An Experiment Shows That A Well-Designed Report On Costs And Quality Can Help Consumers Choose High-Value Health Care. *Health Affairs*. March 2012
7. "This Costs How Much?" – an RWJF Aligning Forces for Quality initiative

The Field of Activity

Health plans, **commercial vendors**, **states** and the **federal government** have all addressed price transparency to some extent in some form

State

- 34 states currently require reporting of hospital charges or reimbursement rates
- Some states operate consumer-facing transparency tools such “New Hampshire Health Cost” and “Maine HealthCost”

Federal

- Medicare provides an online tool where that provides beneficiaries with expected out-of-pocket drug costs
- Medicare operates Hospital Compare and Physician Compare

Private-Sector

- Transparency tools have been developed by a number of national health plans and other commercial vendors
- These tools vary in functionality and availability

Challenges to Price Transparency

Lack of provider competition

- Lack of provider competition allows providers to refuse to reveal pricing to consumers

Health plan and provider restrictions on data use

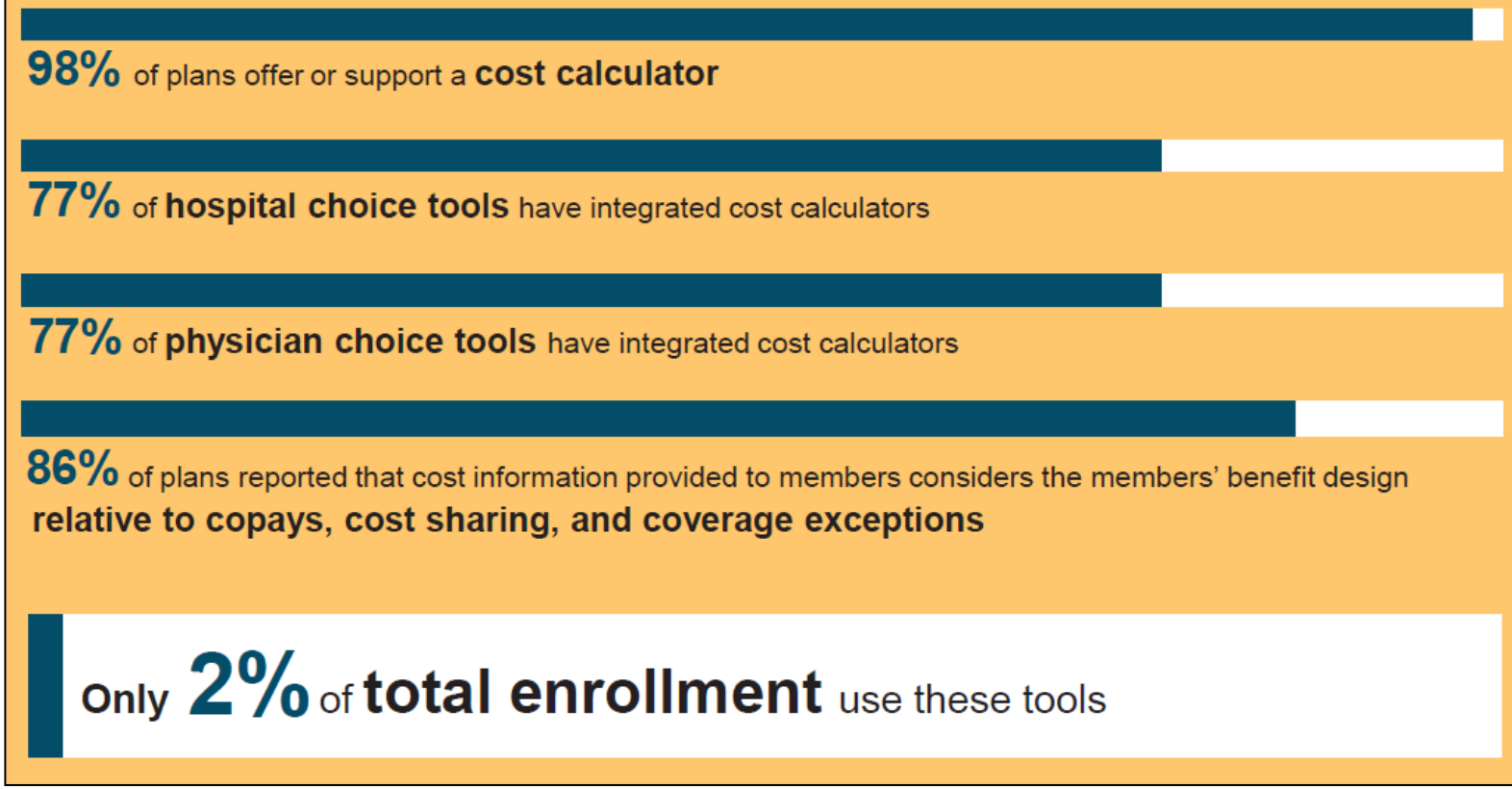
- Due to the use of gag clauses and arguments that claims data are proprietary, health plans and providers may prohibit self-insured purchasers from using claims data for price transparency

Unintended consequences such as consumer misconceptions and anti-competitive behavior

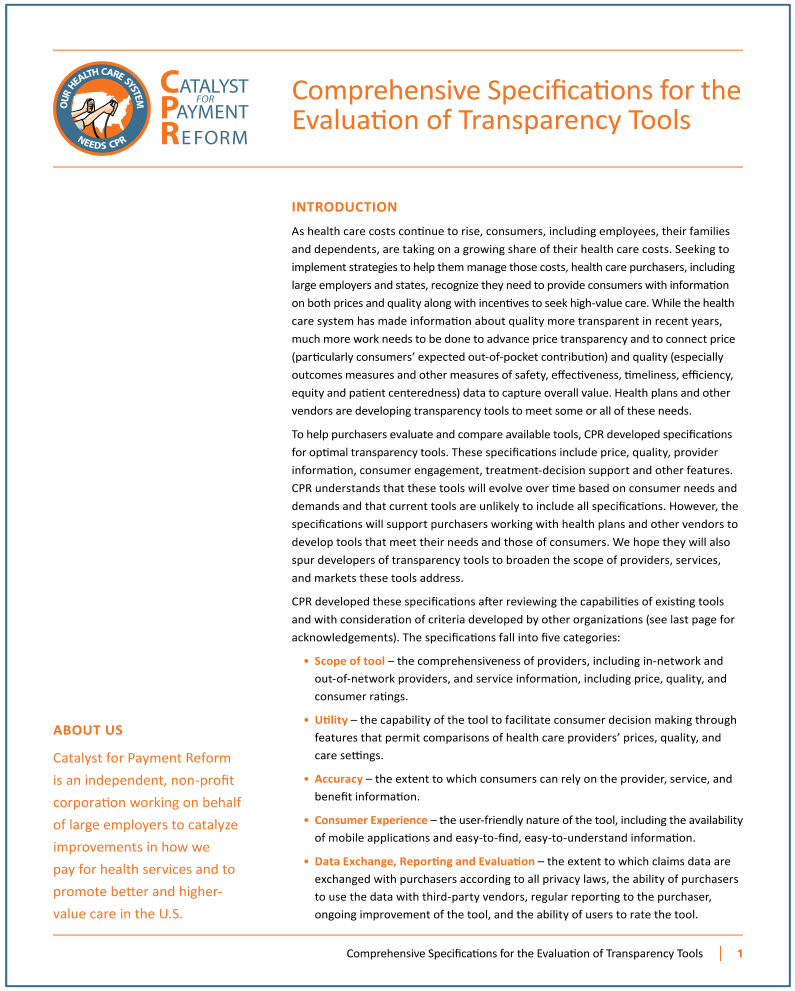
- Consumers may correlate higher prices with higher quality which is often not true in healthcare
- Providers could raise prices to match a competitor rather than the other way around

National Scorecard on Payment Reform Benchmark

Transparency Metrics



Stimulating Better Transparency Tools



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Comprehensive Specifications for the Evaluation of Transparency Tools

INTRODUCTION

As health care costs continue to rise, consumers, including employees, their families and dependents, are taking on a growing share of their health care costs. Seeking to implement strategies to help them manage those costs, health care purchasers, including large employers and states, recognize they need to provide consumers with information on both prices and quality along with incentives to seek high-value care. While the health care system has made information about quality more transparent in recent years, much more work needs to be done to advance price transparency and to connect price (particularly consumers' expected out-of-pocket contribution) and quality (especially outcomes measures and other measures of safety, effectiveness, timeliness, efficiency, equity and patient centeredness) data to capture overall value. Health plans and other vendors are developing transparency tools to meet some or all of these needs.

To help purchasers evaluate and compare available tools, CPR developed specifications for optimal transparency tools. These specifications include price, quality, provider information, consumer engagement, treatment-decision support and other features. CPR understands that these tools will evolve over time based on consumer needs and demands and that current tools are unlikely to include all specifications. However, the specifications will support purchasers working with health plans and other vendors to develop tools that meet their needs and those of consumers. We hope they will also spur developers of transparency tools to broaden the scope of providers, services, and markets these tools address.

CPR developed these specifications after reviewing the capabilities of existing tools and with consideration of criteria developed by other organizations (see last page for acknowledgements). The specifications fall into five categories:

- **Scope of tool** – the comprehensiveness of providers, including in-network and out-of-network providers, and service information, including price, quality, and consumer ratings.
- **Utility** – the capability of the tool to facilitate consumer decision making through features that permit comparisons of health care providers' prices, quality, and care settings.
- **Accuracy** – the extent to which consumers can rely on the provider, service, and benefit information.
- **Consumer Experience** – the user-friendly nature of the tool, including the availability of mobile applications and easy-to-find, easy-to-understand information.
- **Data Exchange, Reporting and Evaluation** – the extent to which claims data are exchanged with purchasers according to all privacy laws, the ability of purchasers to use the data with third-party vendors, regular reporting to the purchaser, ongoing improvement of the tool, and the ability of users to rate the tool.

ABOUT US

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Comprehensive Specifications for the Evaluation of Transparency Tools | 1

5 main categories:

1. Scope
2. Utility
3. Accuracy
4. Consumer Experience
5. Data Exchange, Reporting and Evaluation

The Specifications are:

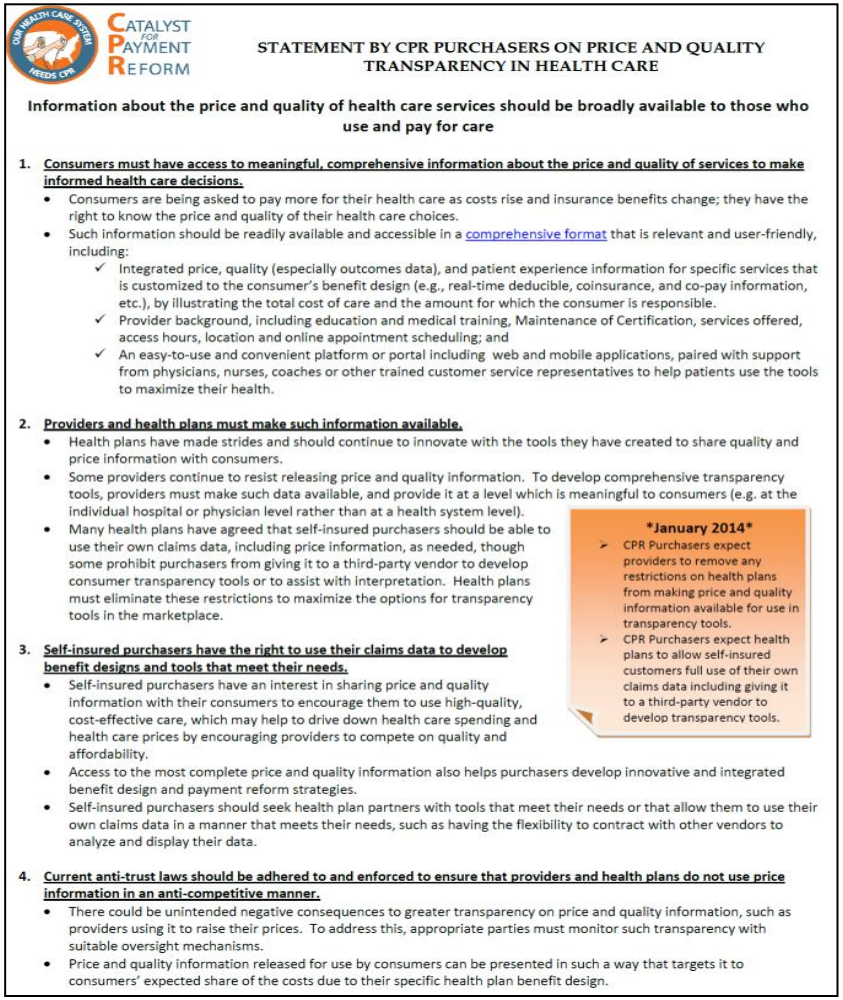
- Comprehensive
- Organized into "Core" and "Expanded"

<u>These Specifications Exist</u>:
Specs were developed based on capabilities present in existing tools

CPR's Public Statement on Transparency

Be Vocal

- Urge providers to remove barriers they place on health plans
- Insist health plans allow self-insured employers to use their claims data to develop transparency tools



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STATEMENT BY CPR PURCHASERS ON PRICE AND QUALITY TRANSPARENCY IN HEALTH CARE

Information about the price and quality of health care services should be broadly available to those who use and pay for care

1. **Consumers must have access to meaningful, comprehensive information about the price and quality of services to make informed health care decisions.**
   - Consumers are being asked to pay more for their health care as costs rise and insurance benefits change; they have the right to know the price and quality of their health care choices.
   - Such information should be readily available and accessible in a comprehensive format that is relevant and user-friendly, including:
     - ✓ Integrated price, quality (especially outcomes data), and patient experience information for specific services that is customized to the consumer's benefit design (e.g., real-time deducible, coinsurance, and co-pay information, etc.), by illustrating the total cost of care and the amount for which the consumer is responsible.
     - ✓ Provider background, including education and medical training, Maintenance of Certification, services offered, access hours, location and online appointment scheduling; and
     - ✓ An easy-to-use and convenient platform or portal including web and mobile applications, paired with support from physicians, nurses, coaches or other trained customer service representatives to help patients use the tools to maximize their health.

2. **Providers and health plans must make such information available.**
   - Health plans have made strides and should continue to innovate with the tools they have created to share quality and price information with consumers.
   - Some providers continue to resist releasing price and quality information. To develop comprehensive transparency tools, providers must make such data available, and provide it at a level which is meaningful to consumers (e.g. at the individual hospital or physician level rather than at a health system level).
   - Many health plans have agreed that self-insured purchasers should be able to use their own claims data, including price information, as needed, though some prohibit purchasers from giving it to a third-party vendor to develop consumer transparency tools or to assist with interpretation. Health plans must eliminate these restrictions to maximize the options for transparency tools in the marketplace.

January 2014
- CPR Purchasers expect providers to remove any restrictions on health plans from making price and quality information available for use in transparency tools.
- CPR Purchasers expect health plans to allow self-insured customers full use of their own claims data including giving it to a third-party vendor to develop transparency tools.

3. **Self-insured purchasers have the right to use their claims data to develop benefit designs and tools that meet their needs.**
   - Self-insured purchasers have an interest in sharing price and quality information with their consumers to encourage them to use high-quality, cost-effective care, which may help to drive down health care spending and health care prices by encouraging providers to compete on quality and affordability.
   - Access to the most complete price and quality information also helps purchasers develop innovative and integrated benefit design and payment reform strategies.
   - Self-insured purchasers should seek health plan partners with tools that meet their needs or that allow them to use their own claims data in a manner that meets their needs, such as having the flexibility to contract with other vendors to analyze and display their data.

4. **Current anti-trust laws should be adhered to and enforced to ensure that providers and health plans do not use price information in an anti-competitive manner.**
   - There could be unintended negative consequences to greater transparency on price and quality information, such as providers using it to raise their prices. To address this, appropriate parties must monitor such transparency with suitable oversight mechanisms.
   - Price and quality information released for use by consumers can be presented in such a way that targets it to consumers' expected share of the costs due to their specific health plan benefit design.

Current Statement Supporters

AFL-CIO

AARP

CalPERS

COLORADO BUSINESS GROUP ON HEALTH

CHCC Corporate Health Care Coalition

HC21 HealthCare 21 Business Coalition FOUNDED 1997 — Reducing Costs Improving Quality Creating Value

HEALTH CARE INCENTIVES IMPROVEMENT INSTITUTE — Fair, Evidence-based Solutions. Real and Lasting Change.

THE LEAPFROG GROUP

MBGH memphis business group on health

MBGH Midwest Business Group on Health — Powerful Connections, Vital Solutions

Minnesota Health Action Group™ — Innovating, Leading, Engaging

National Business Group on Health

national partnership for women & families — Because actions speak louder than words.

NORTHEAST BUSINESS GROUP ON HEALTH

PBGH PACIFIC BUSINESS GROUP ON HEALTH

South Carolina Business Coalition on Health

State Report Card on Price Transparency Laws

Overview of methodology and findings

Prepared in partnership with HCI3

Project Goal

1. **To assess state laws on transparency**
   - ❑ Do existing state laws provide assurance that consumers will have adequate access to health care price information?
2. **To spur action**
   - ❑ Private sector needs to steps forward and provide all of the health care price information consumers need. Today's laws are too narrow in scope.

Step 1: Review of State Laws

1. Comprehensive Review of State Legislation

- ❑ 50 state review of legislation (including enacted bills, acts, and statutes) related to price transparency
- ❑ Included a previous NCSL review, state legislation websites, WestLawNext databases and other resources
- ❑ Reflects all relevant state legislation passed from 1960 – today
- ❑ Most comprehensive review to date

Step 2: Grading Criteria

2. Establish Criteria for Evaluating Legislation

Scope of Price	Scope of Services	Scope of Providers
❑ Charge ❑ Actual ❑ Average ❑ Reimbursement	❑ All services ❑ Only IP or OP ❑ Only Most Common IP or OP	❑ Providers ❑ Hospitals ❑ Physicians ❑ Surgical Centers

FOUR LEVELS OF TRANSPARENCY:

Reported to the State → Available Upon Request → Public Report → Internet Website

Step 3: Resources

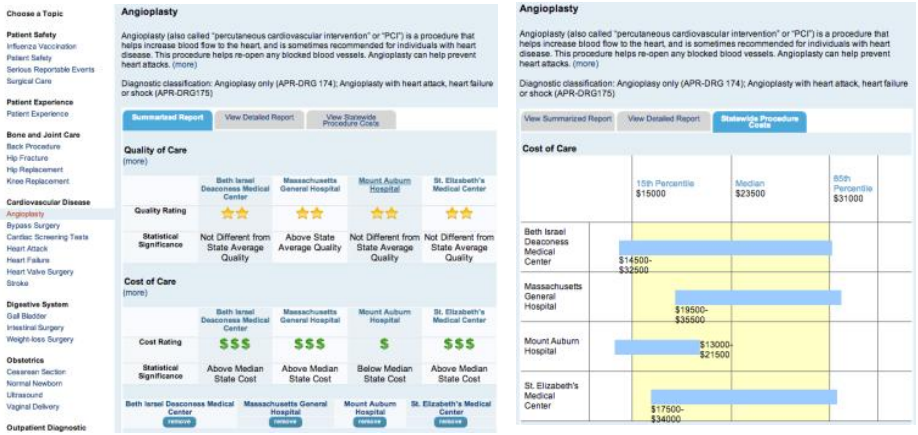
3. Provide Resources to Legislators & Others

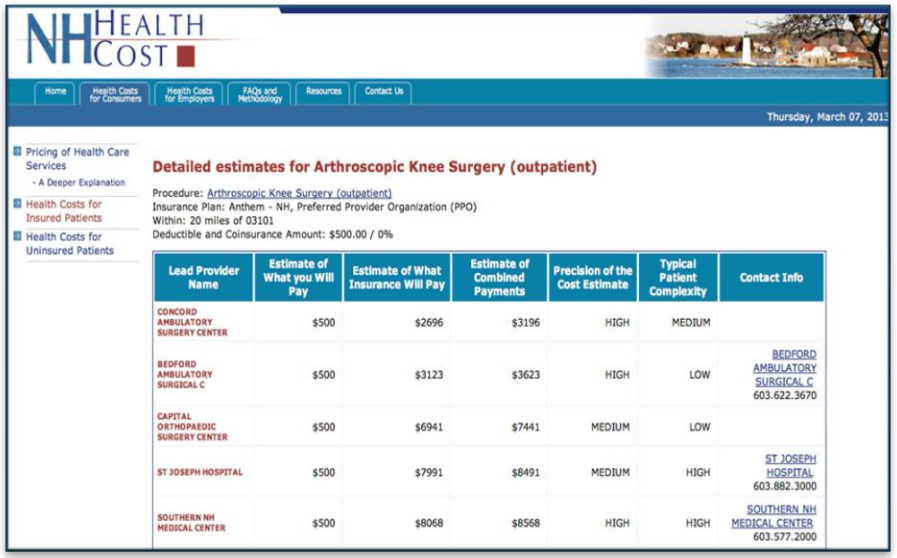
1. Report Card

2. Reference Table

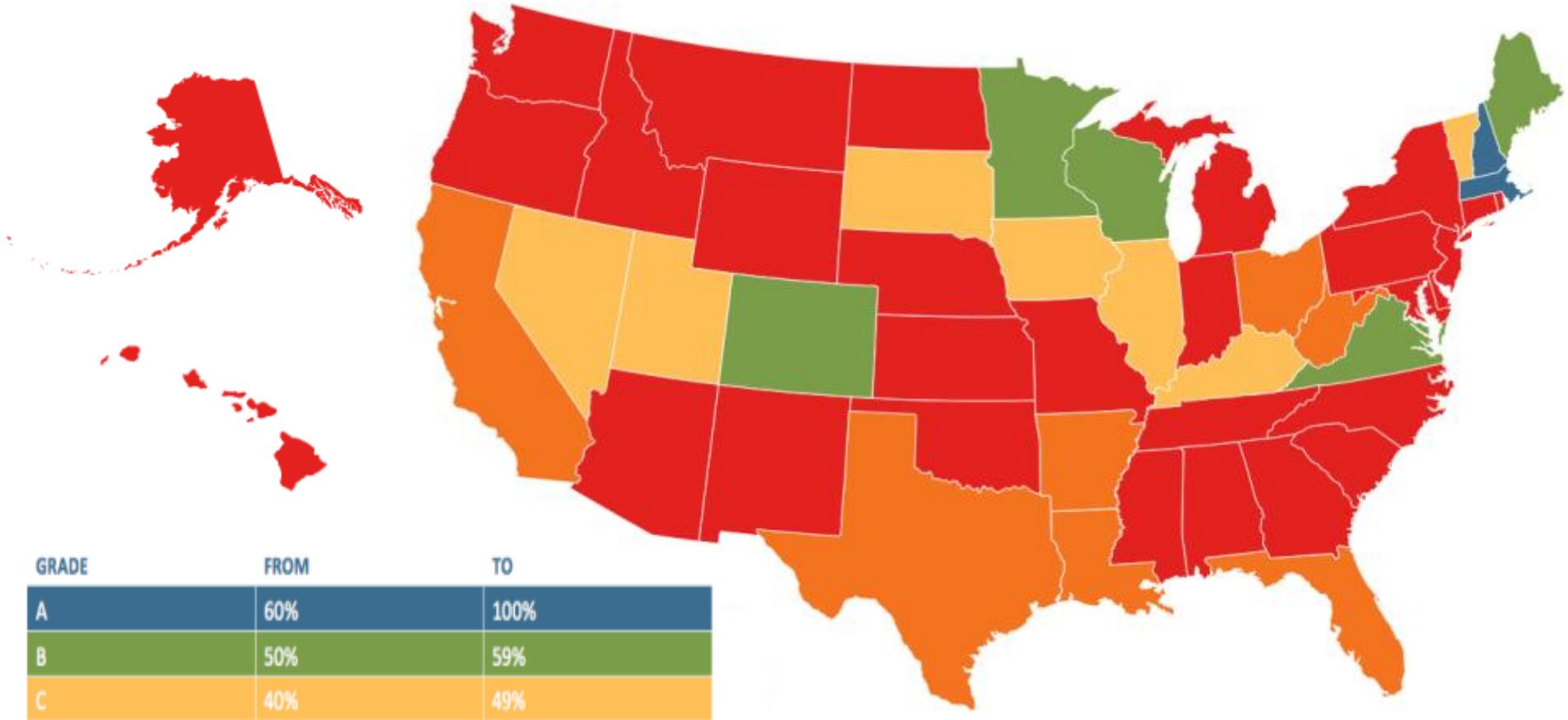
Arizona	STATUTE(S): Arizona Revised Statutes § 36- 125.05 ENACTED BILL(S): Added: 1983; Amended: S.B. 1201 (1988) S.B. 1486 (1988), S.B. 1086 (1990), S.B. 1352 (1994), H.B. 2048 (1996), S.B. 1142 (2005), H.B. 2150 (2010)	Added: 1983 Amended: 1988, 1990, 1994, 2005, 2010	"hospitals [except] state hospitals"		"The average charge per day [and] The average charge per confinement"
	STATUTE(S): Arizona Revised Statutes § 36- 125.05 ENACTED BILL(S): Added: 1983; Amended: S.B. 1201 (1988), S.B. 1486 (1988), S.B. 1086 (1990), S.B. 1352 (1994), H.B. 2048 (1996), S.B. 1142 (2005), H.B. 2150 (2010)	Added: 1983 Amended: 1988, 1990, 1996, 2005, 2010	"Emergency departments"		"Charges for services"

Best Practices: Massachusetts and New Hampshire





The rest of the pack: 5 Bs, 7Cs, 7 Ds, 29Fs



GRADE	FROM	TO
A	60%	100%
B	50%	59%
C	40%	49%
D	30%	39%
F	0%	29%

Reference Table – New Hampshire example

STATE LAWS ON HEALTH CARE PRICE TRANSPARENCY AND DISCLOSURE											
			SCOPE OF HEALTH CARE PROVIDERS		SCOPE OF PRICE		SCOPE OF SERVICES	LEVEL OF TRANSPARENCY			
STATE	LAWS	YEAR	Scope of Health Care Providers	Insurers are required to report? (Not factored in grading)	Charge	Paid Amount	Scope of Services	Reported to the State	Available upon request	Available in Report	Available on Website
Description	Relevant statute(s) with a hyperlink to the text and all relevant enacted bills with available hyperlinks	If available, date of enactment	May legislate hospitals, surgical centers, or all providers including individual physicians	May legislate health plans, insurers, or carriers to report to the state	Includes average annual charges, charge estimates, actual charges	Demonstrates accepted reimbursement rates from different payers	May legislate only most common procedures, only outpatient services, or all billable services	Price information is reported to the state	Price information is available to an individual upon request	Price information is available in a publicly available report	Price information is available on a website
New Hampshire	STATUTE(S): New Hampshire Revised Statutes §§420-G:11, 420-G:11-a ENACTED BILL(S): Added: H.B. 670 (2003) Amended: S.B. 74 (2005)	Added: 2003 Amended: 2005		"All health carriers"	"encrypted claims data [and] Health Employer Data and Information Set (HEDIS) data	"encrypted claims data [and] Health Employer Data and Infor-mation Set (HEDIS) data		"to the department"			"develop a comprehensive health care information system" (NHCHIS) AND "shall be available as a resource for insurers, employers, providers, purchasers of health care, [...] to enhance the ability of New Hampshire consumers and employers to make informed and cost-effective health care choices"
	STATUTE(S): New Hampshire Revised Statutes §126:25 ENACTED BILL(S): Added: 1985 Amended: S.B. 197 (2009), H.B. 544 (2009), H.B. 629 (2011)	Effective: 1985 Amended: 2009, 2011	"Acute care hospitals, specialty hospitals, nursing homes"		"charge by discharge data [...] average patient day charge data"			"shall file health care data as required by the commissioner"			

Summary Table - Alaska

State	Level of Transparency	Scope of Providers			Scope of Price			Scope of Services			Grade
		Both Practitioners & Facilities	Health Care Practitioner or Facility	Subset of Either Practitioner or Facility	Both	Paid Amounts	Charges	All IP & OP	All IP or OP	Most common IP or OP	
AK	State Only										F
	Upon Request										
	Report										
	Website										
AL	State Only										F
	Upon Request										
	Report										
	Website										
AR	State Only		✓				✓			✓	D
	Upon Request										
	Report		✓				✓			✓	
	Website		✓				✓			✓	

Implications and Actions

- **State-wide laws not cutting it, but may evolve**
- **Information alone does not change behavior**
- **How you can advance transparency**
  - ❑ All Payer Claims Database
  - ❑ Advocate for state to step in like in MA and NH if industry doesn't
    - ❑ All services, all providers, price not charges, customizable website (quality and cost-sharing for health plan patient members)
  - ❑ Prohibit gag clauses
  - ❑ Reform payment methods – new methods like bundled payment will make more sense to consumers
  - ❑ Federally-facilitated exchanges may require transparency from plans
  - ❑ Division of Retirement and Benefits can require transparency

Contact Information and Questions

FOR MORE INFORMATION VISIT:
www.catalyzepaymentreform.org

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